

PUBLIC DISCLOSURE

September 6, 2005

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

LUSO-AMERICAN CREDIT UNION

37 TREMONT STREET
PEABODY, MA 01960

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110

NOTE:	This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.
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GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks ("Division") to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **Luso-American Credit Union (or the "Credit Union")** prepared by the Division, the institution's supervisory agency, as of **September 6, 2005**. The Division evaluates performance in the assessment area(s), as they are defined by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory"

A CRA rating of "Satisfactory" is assigned. An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire assessment area, including low and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. The following is a summary of the Credit Union's performance under each of the five criterion.

The Credit Union's loan-to-share ratio has shown a steady downward trend. The loan-to-share ratio has averaged 48.0% for the period of September 30, 2003, through June 30, 2005. This is an adequate level of activity which indicates a willingness to extend credit. A review of the Credit Union's origination of residential mortgage loans and consumer loans, from September 30, 2003 through year-to-date June 30, 2005, revealed that the vast majority of loans were extended within the assessment area. The geographic distribution of loans reflects performance levels that did not show penetration throughout the assessment area; however based upon mitigating factors, is deemed adequate. Lending to borrowers of different income levels indicates a good distribution. No CRA-related complaints have been received since the last examination. The fair lending examination revealed no evidence of discriminatory acts or procedures.

PERFORMANCE CONTEXT

Description of Institution

Luso-American Credit Union has been a state-chartered credit union since 1961. The Credit Union was originally formed to serve people of Portuguese decent residing or working in the City of Peabody. Today, membership has expanded to include anyone working or residing in the City of Peabody and/or cities and towns contiguous to the City of Peabody.

The National Credit Union Association's ("NCUA") Quarterly Call Report as of the June 30, 2005 indicates that Luso-American Credit Union has total assets of \$65,673,828. Of these total assets, \$25,372,182 or 38.6 percent were in the form of gross loans. The following table reflects Luso-American Credit Union's loan portfolio (by percentage) as of June 30, 2005.

Luso-American Credit Union – Portfolio*

Loan Type	Percentage of Gross Loans
1 st Mortgage Real Estate	56.0%
New Automobile	2.0%
Used Automobile	3.0%
Other Real Estate Loans**	28.0%
Unsecured Loans	2.0%
Unsecured Credit Card Loans	7.0%
All Other Loans	2.0%

*Source: NCUA 5300 Report as of June 30, 2005

**Includes Home Improvement, Home Equity Lines of Credit, Second Mortgages, and Mobile Home Loans.

The Credit Union sells residential first mortgage real estate loans on the secondary market. In 2003, the Credit Union sold 15 loans totaling \$2,611,000. In 2004 14 loans for \$3,324,500 were sold. As of June 30, 2005, 13 loans were sold for \$ 2,788,320.

Luso-American Credit Union is headquartered in Peabody, Massachusetts at 37 Tremont Street. Office hours are convenient and appear to be accessible to all segments of the assessment area. The Credit Union is open Monday through Wednesday from 9:00 am to 5:00 pm and Thursday and Friday 9:00 am to 6:00pm. The Credit Union also maintains hours from 8:30 am to 1:00 pm on Saturday. Drive-up service is available at the branch. In addition, the Credit Union operates one 24 hour Automated Teller Machine ("ATM") at this location. No offices have been opened or closed since the last CRA examination.

The Credit Union offers its members a full range of credit and deposit services including checking accounts, ATM cards (linked to NYCE a Cirrus network), debit cards (Master Check Card), and term certificates. The types of credit offered by the Credit Union consist of first and second real estate mortgages; home equity lines of credit; new and used automobile loans; personal unsecured loans; educational loans; a Visa credit card; and share secured loans. In addition, the Credit Union offers telephone banking that enables its members to make account inquires, obtain transaction histories, and transfer payments to loan accounts.

PERFORMANCE CONTEXT (CONTINUED)

Luso-American Credit Union has competition from several financial institutions within its assessment area. These financial institutions include but are not limited to the following: North Shore Bank, a Co-operative Bank; Century Bank and Trust Company; Salem Five Cent Savings Bank; and several large regional and national banks. The market influence from these institutions appears to be significant, and as a result, serves to keep the Credit Union's rates and services offered competitive.

Market share information obtained from PCI Services, Inc. CRA WIZ, for calendar year 2003, indicates 393 mortgage companies, savings banks, commercial banks, cooperative banks, and credit unions operate within the Credit Union's assessment area, and have either originated or purchased residential mortgages loans. Luso-American Credit Union ranked 78th.

The Credit Union was last examined for compliance with CRA by the Division on September 1, 2000. That examination resulted in a CRA rating of High Satisfactory.

Description of Assessment Area

The CRA requires a credit union to designate one or more assessment area(s) within which its record of helping to meet the needs of its community will be evaluated. The Division evaluates the institution's CRA performance based on the defined assessment area. Generally, assessment areas are expected to consist of Metropolitan Statistical Areas ("MSAs") or contiguous political subdivisions such as counties, cities, and towns.

Luso-American Credit Union has defined its assessment area as the cities of Beverly, Danvers, Lynn, Peabody, and Salem. All the communities in the assessment area are located in the Essex County MSA.

Assessment Area Demographics

Change in MSA for 2004

The Office of Management and Budget ("OMB") revised its Standards for Defining Metropolitan and Micropolitan Areas in December 2000 under the Metropolitan Area program. In June 2003, OMB defined new MSA boundaries, which were effective January 2004. The new definitions resulted in the reintroduction of the term MSA instead of metropolitan area, as well as changes to the boundaries of many existing MSAs. The application of OMB's 2000 standards will result in some census tracts changing income levels without any real change in economic conditions within the tracts. In part, these changes are the result of different criteria used by OMB in setting the 2000 standards and, subsequently, the MSA/Metropolitan Division boundaries that impact 2004 data.

PERFORMANCE CONTEXT (CONTINUED)

Please refer to the table below regarding changes in tracts:

Change in Tracts					
Census Tracts	2003 Census Data		2004 Census Data		Change in Number of Census Tracts
	#	%	#	%	
Low	8	15.7	4	7.8	4
Moderate	14	27.5	17	33.4	3
Middle	28	54.9	26	51.0	2
Upper	1	1.9	4	7.8	3
NA	0	0.0	0	0.0	-
Total	51	100.0	51	100.0	0.0

Source: PCI Services, Inc., CRA Wiz

Demographic information for the Credit Union's assessment area was obtained from data compiled by the 2000 U.S. Census as well as by the MSA boundaries established in January 2004. Information based on the newly revised MSA boundaries was used to evaluate the Credit Union's 2004 performance while the "older" boundaries were used to evaluate the Credit Union's 2003 performance.

The median family income for the 2003 Boston-Quincy MSA is \$80,800 and in 2004 and 2005, the Essex County MSA is \$76,000 and \$76,700 respectively. The income figures are based on estimated Department of Housing and Urban Development ("HUD") information. Low-income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate-income is defined as income between 50 percent and 79 percent of the median family income level for the MSA. Middle-income is defined as income between 80 percent and 119 percent of the median income. Upper-income is defined as income equal to or greater than 120 percent of the median income.

According to 2000 US Census Data, the five communities mentioned above have a combined population of 242,660 and a total of 97,800 housing units. Of the total housing units, 53,966, or 55.1 percent are owner occupied, 40,975 or 41.8 percent are rental units, and 2,859, or 2.9 percent are vacant housing units. The median housing value for the assessment area is \$181,579. In addition, 10,174 or 11.0 percent of the total number of households in the assessment area live below the poverty level and 26,840 or 28.0 percent are on social security.

Census tracts are defined as low, moderate, middle or upper-income based on median Family Household Income ("FHI") within the census tract. In total, there are 51 census tracts within the Credit Union's assessment area: 4 are designated as low income, 17 are moderate-income, 26 are middle-income, and 4 are upper-income.

PERFORMANCE CONTEXT (CONTINUED)

Please refer to the table below regarding other housing characteristics.

Selected Housing Characteristics by Income Category of the Geography						
Geographic Income Category	Percentage					
	Census Tracts	House holds	Housing Units	Owner- Occupied	Renter Occupie d	Vacant Units
Low	7.8%	5.4%	5.5%	1.8%	10.4%	7.4%
Moderate	33.4%	28.6%	28.7%	17.9%	42.3%	36.0%
Middle	51.0%	56.1%	56.0%	64.7%	45.0%	50.7%
Upper	7.8%	9.9%	9.8%	15.6%	2.3%	5.9%
NA	-	-	-	-	-	-
Total Median	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: PCI Services, Inc., CRA Wiz

Unemployment figures were obtained for the assessment area. As of September 2005, the assessment area had an unemployment rate of approximately 2.8 percent. The assessment's area's unemployment rate was less than the statewide average of 4.7 percent.

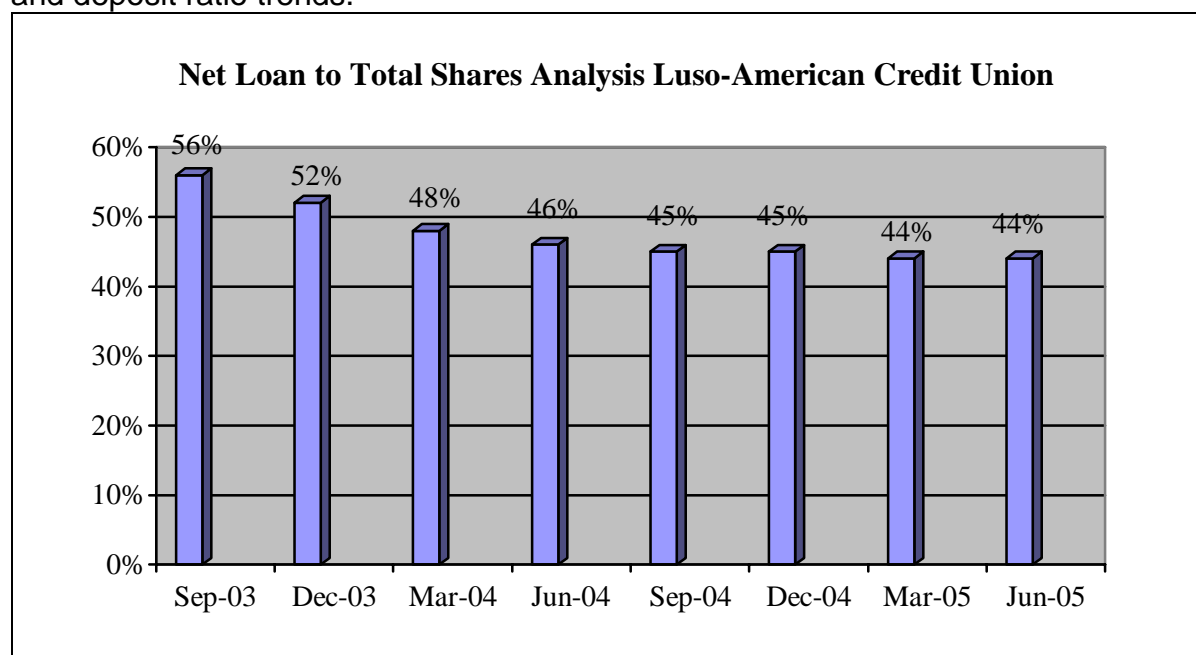
PERFORMANCE CRITERIA

LOAN TO SHARE ANALYSIS

Based upon the following, Luso-American Credit Union's average net loan to total deposit (share) ratio appears to be Satisfactory.

An analysis of Luso-American Credit Union's net loan to share ratios was performed. The calculation incorporated eight quarters of the Credit Union's net loan to total share figures as reflected in the Credit Union's quarterly NCUA 5300 Reports. The quarters reviewed included the periods from September 30, 2003, through June 30, 2005. Luso-American Credit Union's net loan to total shares and deposits ratio, on average, was 48 percent. This ratio has had a steady downward trend from a high 56 percent on September 30, 2003, to a low 44 percent on June 30, 2005.

The following graph illustrates Luso-American Credit Union's net loan to total shares and deposit ratio trends.



Source: NCUA 5300 reports from September 30, 2003 through June 30, 2005

A Comparison of Luso-American Credit Union's net loans to total share ratio to that of other area financial institutions was also performed and is reflected in the following table. The institutions chosen for this analysis are of similar size and type. While lower, than the ratios of other area credit unions, Luso-American Credit Union's net loan to total shares ratio remains at an adequate level. The ratios shown are calculated from the NCUA's Call Report data as of June 30, 2005.

Institution	Net Loan to Share Ratio	Asset Size
Community Credit Union of Lynn	88.50%	119,052,945
St. Jean's Credit Union	68.50%	112,341,830
Brotherhood Credit Union	54.00%	110,347,352
Luso-American Credit Union	44.40%	65,673,828
Seaport Credit Union	116.20%	62,530,327

Source: NCUA 5300 Report as of June 30, 2005

PERFORMANCE CRITERIA (CONTINUED)

Based on the Credit Union's capacity to lend, the capacity of other similarly situated credit unions, the type of loans available, and the lending opportunities available to its membership, the loan-to-share ratio of the Credit Union is considered to meet the standards for satisfactory performance.

COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

Luso-American Credit Union's 2003, 2004, and Year-to-date June 30, 2005 Home Mortgage Disclosure Act/Loan Application Registers ("HMDA/LARs") were reviewed to determine the amount of credit extended within its assessment area. During this period, the Credit Union originated 115 HMDA reportable loans totaling approximately \$20,290,000, of which, 100 loans, or 86.9 percent of the number, totaling \$18,006,000 or 88.7 percent of the dollar amount were originated in the assessment area.

By number Peabody accounted for the largest number of originations with 61.0 percent, followed by Salem with 21.0 percent, and Danvers along with Lynn at 8.0 percent. Peabody also accounted for the largest dollar volume of originations with 69.9 percent, followed by Salem with 21.0 percent, Danvers at 8.0 percent, and Lynn at 8.5 percent. Refer to the following tables for additional information.

HMDA-Reportable Loans by Number of Originations

Location	2003		2004		YTD 2005		Total	
	#	%	#	%	#	%	#	%
Peabody	36	61.1	13	61.9	12	60.0	61	61.0
Salem	13	22.1	4	19.0	4	20.0	21	21.0
Lynn	5	8.5	1	4.7	2	10.0	8	8.0
Danvers	3	5.0	3	14.4	2	10.0	8	8.0
Beverly	2	3.3	0	0.0	0	0.0	2	2.0
Inside Assessment Area	59	89.4	21	80.7	20	86.9	100	86.9
Outside Assessment Area	7	10.6	5	19.3	3	13.1	15	13.1
Total	66	100.0	26	100.0	23	100.0	115	100.0

Source: PCI Services, Inc., CRA Wiz, HMDA/LAR Data for the period 1/1/2003 to 6/30/2005.

PERFORMANCE CRITERIA (CONTINUED)

HMDA-Reportable Loans by Dollar Amount of Originations

Location	2003		2004		YTD 2005		Total	
	\$	%	\$	%	\$	%	\$	%
Peabody	5894	59.2	2442	60.8	2451	61.0	10787	59.9
Salem	2219	22.3	875	21.7	688	17.1	3782	21.0
Danvers	562	5.6	475	11.8	412	10.2	1449	8.0
Beverly	463	4.6	0	0.0	0	0.0	463	2.6
Lynn	823	8.3	230	5.7	472	11.7	1525	8.5
Inside Assessment Area	9,961	90.4	4,022	82.3	4,023	91.8	18,006	88.7
Outside Assessment Area	1,060	9.6	864	17.7	360	8.2	2,284	11.3
Total	11,021	100.0	4,886	100.0	4,383	100.0	20,290	100.0

Source: PCI Services, Inc., CRA Wiz, HMDA/LAR Data for the period 1/1/2003 to 6/30/2005.

As indicated in the tables above, the vast majority of loans originated in 2003, 2004, and year-to-date 2005 were inside the Credit Union's assessment area.

Consumer loan originations during 2003, 2004 and year-to-date June 30, 2005 were also reviewed. It was revealed that 90.1% of the loans originated were within the assessment area.

Consumer Loans by Number of Originations

Location	2003		2004		YTD 2005		Total	
	#	%	#	%	#	%	#	%
Peabody	55	57.9	85	53.5	82	55.0	222	55.1
Salem	15	15.8	42	26.4	35	23.4	92	22.8
Danvers	3	3.1	3	1.9	6	4.2	12	3.0
Beverly	4	4.2	4	2.5	3	2.0	11	2.7
Lynn	5	5.3	10	6.3	11	7.3	26	6.5
Inside Assessment Area	82	86.3	144	90.6	137	91.9	363	90.1
Outside Assessment Area	13	13.7	15	9.4	12	8.1	40	9.9
Total	95	100.0	159	100.0	149	100.0	403	100.0

Source: Internally generated reports.

PERFORMANCE CRITERIA (CONTINUED)

Consumer Loans by Dollar Amount of Originations

Location	2003		2004		YTD 2005		Total	
	\$(000)	%	\$(000)	%	\$(000)	%	\$(000)	%
Peabody	607,109	66.3	468,711	50.3	591,428	59.0	1,667,249	58.5
Salem	88,863	9.7	266,510	28.6	154,899	15.4	510,273	17.9
Danvers	59,500	6.5	31,000	3.3	39,000	3.8	129,500	4.6
Beverly	39,631	4.3	20,317	2.2	13,700	1.3	73,649	2.6
Lynn	39,024	4.3	41,432	4.5	89,300	8.9	169,756	5.9
Inside Assessment Area	834,127	91.1	827,970	88.9	888,327	88.7	2,550,427	89.5
Outside Assessment Area	81,278	8.9	103,514	11.1	113,691	11.3	298,482	10.5
Total	915,405	100.0	931,484	100.0	1,002,018	100.0	2,848,909	100.0

Source: Internally generated reports.

As with residential loans, the greatest concentrations of consumer loans were in the City of Peabody.

Based upon the above information, it is evident that a large majority of the Credit Union's loans, by both number and dollar volume, has been extended within its assessment area. Therefore the institution's level of lending within its assessment area exceeds the standards for satisfactory performance.

BORROWER CHARACTERISTICS

The Credit Union's residential loans were further analyzed to determine the distribution of lending by borrower income level. The borrowers' reported incomes were compared to the median family incomes for the Boston-Quincy MSA 2003 and Essex County MSA for 2004 and year to date 2005. The income figures are based on estimated HUD information. As noted previously, the estimated incomes in the Boston and Essex MSA for 2003, 2004 and 2005 are \$80,800, \$76,000 and \$76,700 respectively.

The following table shows the number of HMDA-reportable loans to borrowers of different income levels in comparison to the number of families in each respective income group.

Distribution of HMDA-Reportable Loans to Borrowers of Different Income Levels

Borrower Income Level	Families		2003		2004		YTD 2005		Total	
	#	%	#	%	#	%	#	%	#	%
<50%	14,028	23.2	12	20.3	2	9.5	1	5.0	15	15.0
50-79%	11,765	19.5	21	35.6	8	38.2	5	25.5	24	24.0
80-119%	14,313	23.7	21	35.6	7	33.3	10	50.0	38	38.0
120%>	20,330	33.6	5	8.5	4	19.0	4	20.0	13	13.0
Total	60,436	100.0	59	100.0	21	100.0	20	100.0	100	100.0

Source: PCI Services, Inc., CRA Wiz, HMDA/LAR Data for the period 1/1/2003 to 6/30/2005.

PERFORMANCE CRITERIA (CONTINUED)

In 2003, 2004 and year-to-date June 30, 2005, the Credit Union extended 15 loans to low-income borrowers representing 15.0 percent of the total loans originated within the assessment area. These loans represent 14.7 percent by dollar amount of the total loans originated in the assessment area. This percentage falls below the 23.2 percent of low-income families within the assessment area. However, factors including the number of families living below the poverty level and the affordability of housing within the area both serve to mitigate this performance. In addition, the Credit Union extended 24 loans to moderate-income borrowers, representing 24.0 percent by number and 36.5 percent by dollar amount which is significantly higher than the 19.5 percent of the moderate-income families residing within the assessment area.

The distribution of loans among the different income levels may also be compared to that of all other HMDA-reportable lenders in the assessment area. The most recent data available for this analysis relates to calendar year 2003 and is presented in the following table.

Lending to Borrowers of Different Income Levels Luso-American Credit Union Compared to All Other HMDA-Reporters

Borrower Level	Income	Number of Loans				Dollar Amount of Loans			
		Luso-American Credit Union		All Other Reporters		Luso-American Credit Union		All Other Reporters	
		#	%	#	%	\$(000)	%	\$(000)	%
<50%		12	20.3	2,655	8.2	1,464	14.7	343,667	5.4
50-79%		21	35.6	8,379	25.9	3,636	36.5	1,431,942	22.5
80-119%		21	35.6	9,573	29.5	4,034	40.5	1,897,825	29.8
120%>		5	8.5	7,187	22.2	827	8.3	1,683,166	26.5
NA		0	0	4,606	14.2	0	0	1,004,562	15.8
Total		59	100.0	32,400	100.0	9,961	100.0	6,361,162	100.0

Source: PCI Services, Inc., CRA Wiz, HMDA Data for the period 1/1/2003 to 12/31/2003.

As shown above, the Credit Union's percentage of loans to low-income members is substantially higher than that of the aggregate performance levels. The Credit Union originated 20.3 percent of its loans by number and 14.7 percent by dollar amount within the assessment area to low-income borrowers, compared to the aggregate with 8.2 percent by number and 5.4 percent by dollar amount. HMDA loans to moderate-income borrowers accounted for 35.6 percent by number and 36.5 percent by dollar amount within the assessment area.

The Credit Union's percentage of originated HMDA-reportable loans to low and moderate-income borrowers by both number and dollar amount exceed that of the aggregate. However, the low volume of originated loans mitigates the high performance level yet demonstrates good levels of lending to borrowers of all income levels, including those of low and moderate-income.

PERFORMANCE CRITERIA (CONTINUED)

In addition, a sample of consumer loans originated from January 1, 2003 through June 30, 2005, was reviewed and revealed that 61.8 percent were granted to low-income members; 23.6 percent to moderate-income members; 7.3 percent to middle-income members; and 7.3 percent were to upper-income members. It should be noted that the analysis of consumer loans indicates a higher percentage of loans to low and moderate-income members due to the fact that in most cases only one individual's income is used to make the credit decision. This income when compared to the median family income can result in somewhat higher levels within the low and moderate-income categories, and will skew the data. Refer to the following table.

Distribution of Consumer Loans to Borrowers of Different Income Levels

Borrower Income Level	2003		2004		YTD 2005		Total	
	#	%	#	%	#	%	#	%
<50%	9	60.0	12	60.0	13	65.0	34	61.8
50-79%	4	26.7	5	25.0	4	20.0	13	23.6
80-119%	0	0.0	1	5.0	3	15.0	4	7.3
120%>	2	13.3	2	10.0	0	0.0	4	7.3
Total	15	100.0	20	100.0	20	100.0	55	100.0

Source: Information contained in-house loan files.

Based on the information above, the Credit Union's lending to borrowers of different income levels including those of low and moderate-income meets the standards for satisfactory performance.

DISTRIBUTION OF LOANS BY CENSUS TRACT INCOME LEVEL

An analysis of residential and consumer loans extended to borrowers from the various census tracts within the Credit Union's assessment area was conducted. The assessment area is comprised of 51 census tracts: 4 or 7.8 percent are low-income; 17 or 33.3 percent moderate-income; 26 or 50.9 percent middle-income; and 4 or 7.8 percent upper-income.

The following table provides a breakdown, by number, of the Credit Union's HMDA-reportable loans within its assessment area by census tract classification. The table also shows the number of loans in comparison to the number of owner-occupied properties in each census tract income category.

Distribution of HMDA-Reportable Loans by Census Tract Income Level

Census Tract Income Level	Owner- Occupied Properties		2003		2004		YTD 2005		Total	
	#	%	#	%	#	%	#	%	#	%
Low	927	1.7	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	9,657	17.9	5	8.5	4	19.1	2	10.0	11	11.0
Middle	34,931	64.7	54	91.5	17	80.9	18	90.0	89	89.0
Upper	8,451	15.7	0	0.0	0	0.0	0	0.0	0	0.0
Total	53,966	100.0	59	100.0	21	100.0	20	100.0	100	100.0

Source: PCI Services, Inc., CRA Wiz, HMDA/LAR Data for the period 1/1/2003 to 6/30/2005.

PERFORMANCE CRITERIA (CONTINUED)

As shown in the table, none of the Credit Union's loans for 2003, 2004, and year-to-date 2005 were originated within the low-income census tracts, which is lower than the 1.7 percent of owner occupied properties within low-income tracts. In addition, the Credit Union originated 11.0 percent of its loans in moderate-income census tracts, which is slightly lower than the 17.9 percent of owner occupied properties in those tracts.

The geographic distribution of the Credit Union's loans by census tract category was also compared to that of all other HMDA-reportable lenders in the assessment area. The most recent data available for this analysis covers calendar year 2003 and is presented in the following table.

Distribution of HMDA –Reportable Loans by Census Tract Income Level Luso-American Credit Union Compared to All Other HMDA Reporters

Census Tract Income Level	Number of Loans				Dollar Amount of Loans			
	Luso-American Credit Union		All Other Reporters		Luso-American Credit Union		All Other Reporters	
	#	%	#	%	\$(000)	%	\$(000)	%
Low	0	0.0	1,697	5.2	0	0.0	329,600	5.2
Moderate	5	8.5	6,478	20.0	883	8.9	1,199,933	18.9
Middle	54	91.5	23,006	71.0	9,078	91.1	4,501,661	70.8
Upper	0	0.0	1,219	3.8	0	0.0	329,968	5.1
NA	0	0.0	0	0.0	0	0.0	0	0.0
Total	59	100.0	32,400	100.0	9,961	100.0	6,361,162	100.0

Source: PCI Services, Inc., CRA Wiz ,HMDA/LAR Data for the period 1/1/2003 through 12/31/2003.

As demonstrated above, the percentage of the Credit Union's lending activity in low and moderate-income census tracts, by both number and dollar volume, is lower than that of the aggregate. Lending activity in low and moderate-income census tracts was 8.5 percent by number and 8.9 by dollar amount in 2003. In comparison, all other HMDA reporters originated 25.2 percent by number and 24.1 percent by dollar amount in low and moderate-income census tracts. Based on its size and resources, the Credit Union has an adequate penetration and meets the standards of satisfactory performance.

PERFORMANCE CRITERIA (CONTINUED)

FAIR LENDING POLICIES AND PRACTICES

Luso-American's fair lending information was reviewed to determine how it is related to the guidelines established by Regulatory Bulletin 2.3-101, the Division's Community Reinvestment and Fair Lending Policy.

The Credit Union maintains a fair lending policy aimed at preventing illegal discrimination and adequately addresses the Division's Regulatory Bulletin 2.3-101 and other aspects of fair lending. Through a review of the Credit Union's files it appears that the Credit Union follows the procedures set forth in the policy.

The Credit Union provides employees with training on a variety of fair lending and diversity issues. Luso-American Credit Union's efforts are done primarily through local Greek and Portuguese radio stations, newspaper advertisements in the Salem daily newspaper, and Peabody weekly newspaper, as well as direct mailing, statement stuffers and fliers. In addition, members of the Credit Union are actively involved in the community and use their numerous contacts to help determine the credit needs of the assessment area.

The Credit Union offers different types of flexible underwriting criteria that are effective in providing credit to those who would not qualify under conventional lending standards. Additionally, the Credit Union has participated in numerous educational seminars.

Luso-American Credit Union has a second review system in place for all credit applications that are denied. Before the applicant is denied, the manager must review the application and if they concur, the loan will not be made. All applicants who are denied credit are sent an adverse action notice or are advised of the action taken within 30 days of receipt of the completed application.

The Credit Union has a staff of 19 employees of which all are bilingual and several are trilingual.

MINORITY APPLICATION FLOW

A review of residential loan applications was conducted in order to determine the number of applications the Credit Union received from minorities. In 2003 and 2004, the Credit Union received 93 residential loan applications from within its assessment area. In 2003, 8 applications were received from minorities of which 6 were originated and 2 were denied. In 2004 and year-to-date 2005 there were no applications received from minorities.

PERFORMANCE CRITERIA (CONTINUED)

Refer to the following table for further details.

MINORITY APPLICATION FLOW*										
Race	Aggregate Data 2003		Credit Union 2003		Credit Union 2004		Credit Union Year-to-Date 2005		Credit Union Total	
	#	%	#	%	#	%	#	%	#	%
Native American	99	.2	0	0	0	0	0	0	0	0
Asian	732	1.5	0	0	0	0	0	0	0	0
Black	981	2.0	0	0	0	0	0	0	0	0
Hispanic	2,410	5.0	8	11.0	0	0	0	0	8	7.1
Other	696	1.3	0	0	0	0	0	0	0	0
Minority	4,918	11.3	8	11.0	0	0	0	0	8	7.1
White	28,704	59.5	54	77.0	23	100.0	20	100.0	97	85.8
Not Provided	6,542	13.5	0	0	0	0	0	0	0	0
NA	2,846	5.7	0	0	0	0	0	0	0	0
Total	47,928	100.0	70	100.0	23	100.0	20	100.0	113	100.0

*Source: PCI Services, Inc., CRA Wiz Software.

The Credit Union's minority application flow for this period was compared with the racial make-up of the assessment area and 2003 aggregate data for all HMDA reporters within the assessment area. The comparison of this data assists in deriving reasonable expectations for the institution's minority application flow. According to 2000 Census Data, the Credit Union's assessment area contained a total population of 242,660 individuals of which 19.3 percent are minorities, compared to the Credit Union's application level of 11.0 percent to minorities for 2003. Aggregate information indicated that, of the 47,928 total applications received within the assessment area in 2003, 11.3 percent were from minorities. The Credit Union's level of minority applications appears to be at aggregate levels.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at 37 Tremont Street, Peabody, MA 01960

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that assessment area shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.